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December 16, 2003

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PHOENIX OFFICE SANO CORPORATION STARGATE WEST LLC 602-793-1262 r-

Ms. Jean A- Webb

Secretary to the Commission
Commodity Futures Trading Commission Three Lafayette Centre
1155 21st Street, N. W. Washington, D.C. 20581

Re: US Futures Exchange LLC DCM application

Dear Ms. Webb:

My name is Nickolas J. Neubauer and I was Chairman of the Chicago Board of Trade between 2001 and 2003. During my term, we essentially invited Eurex to compete with the CBOT in the United States when we chose Life Connect as our electronic matching engine replacing Eurex. In other words, we at the CBOT have no problem with competition; Eurex is coming here because of OUR decision. I am writing this confidential letter to make one simple point your agency must fully review the Eurex U.S. application as to its planned means and methods of operations to ensure that these means and methods meet the standards of a fair, open and transparent marketplace. You should be aware that the heads of major firms favoring the Eurex US application say they are doing so because they want European market practices introduced here, e.g. crossing, blocking with delayed reporting, call around, prearrangement, internalization. In fact, one firm leader said the CBOT would not permit these things because it was very principled. I respect these firm leaders for their candor, they sincerely believe that these practices should be acceptable, although some misgivings and caveats are expressed. But over the last few years, we in the U.S. have come to understand that investors and customers generally must be protected by regulation

from market practices that are infused with potential conflicts of interest. "Competition" about lower fees or electronic trading is perfectly appropriate. Degrading market regulation as a competitive tool to get orders is not because it disadvantages customers and injures the overall market. As we know, the mixing of principal and agent is at the heart of today's loss of confidence in financial markets, e.g., analysts shading their opinions to win investment banking business, auditing firms selling consulting services and neglecting their responsibility as public accountants. The SEC is dealing with issue after issue of subtle conflicts that were previously thought to be "okay." "Competition" that degrades the overall market to the detriment of customers should not be permitted. Was it okay for a mutual fund to compete for assets by allowing large hedge funds late trading privileges? Obviously not. Should it be left to the marketplace and the customer to figure out whether his fund does this and supposedly no matter how he is taken advantage of, it is okay because he had a choice of what funds to invest in and he just made the wrong choice?

Off market block trading with delayed reporting, pre-arranged trading and internalization in
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general are the same sort of subtle degradations of the market and of fiduciary responsibility that have to be prohibited by regulation and not simply ignored with the hope that the marketplace will sort it out. The fact is that Eurex US is likely to promote a market structure like the one it has in Europe, where there is a fragmented market, a lack of transparency and conflicts of interest between customer and firm because the firm is both principal and agent. Donald R. Wilson, Jr. testified before the House Agriculture Committee on November 6, 2003. Mr. Wilson is the head of a major trading firm and is fully familiar with trading in the U.S. and Europe. His conclusion. Although competition among exchanges can be positive for futures markets and their users, it is important that certain issues be carefully considered before approving a new exchange. Paramount is whether an exchange will ultimately provide a centralized, transparent marketplace where prices can be efficiently discovered and all market participants are treated fairly. The Commodity Futures Trading Commission recognizes this by stating in its mission statement that:

The agency protects market participants against manipulation, abusive trade practices and fraud. Through effective oversight and regulation, the CFTC enables the markets to serve better their important functions in the nation's economy providing a mechanism for price discovery and a means of offsetting price risk. If Eurex US successfully recreates the market structure of its European counterpart, then these principles will be abandoned. All market participants will be disadvantaged by a lack of transparency. Payment for order flow and internalization of orders will not only create conflicts of interest, particularly towards customers, but will also lead to higher transaction costs for all market participants. As a result, hedging activity will decline, resulting in greater earnings variance, and ultimately lower economic growth. I know that both the CFTC and the SEC take their responsibilities for market regulation and practices very seriously. Consequently, I ask that the Eurex U.S. application be reviewed carefully so that its planned means and methods of operation meet the standards of a fair, open and transparent marketplace.

Nickolas J Neubauer